EXCERPT REPRINTED FROM SEPTEMBER 2004 SAC REPORT: COMMENTS REGARDING HOME-RULE PETITION WITH ILLUSTRATIONS UPDATED FOR ARTICLE 4 OF MAY 2005 STM

REPORT OF SYMMES ADVISORY COMMITTEE
TO SPECIAL TOWN MEETING, SEPTEMBER 2004

SAC COMMENT:

The Symmes Advisory Committee wishes to provide the history and rationale for [Article 4] *[note: formerly Article 3 of the September 2004 STM]*, and to demonstrate its beneficial impact under a range of conditions.

The subject matter of this article arose from the Board of Selectmen's determination over three years ago, prior to the successful debt exclusion vote on the Symmes acquisition, that a primary goal of the project is that it be "revenue neutral" to the taxpayers over time. The implication of this objective, adopted by the "Symmes 21 Committee" (advocates of the debt exclusion referendum) was first presented to the Board of Selectmen prior to the Debt Exclusion Vote on March 31, 2001. When this principle was endorsed by the Board, it became a general concept promoted to the voters during the campaign, and arguably was one of the reasons that the voters supported the debt exclusion.

At a meeting of the newly formed Symmes Advisory Committee on June 14, 2001, Town Counsel pointed out that this objective of the Selectmen could not easily be met without consideration of special home rule legislation because in the normal function of a debt exclusion such as that passed by the voters for this project, debt generated by the project would be excluded from Proposition 2½ and would therefore be automatically added on top of Arlington's tax rate.

During the debate and in the presentations concerning the acquisition of the Symmes parcel at the Special Town meeting of January 16, 2002, this matter was addressed in 1) the report of the Symmes Advisory Committee, 2) the presentation of the Symmes Advisory Committee, 3) the Warrant prepared by the Board of Selectmen and distributed to the citizens of the Town, 4) in the report of the Finance Committee, and in the Vote of Town Meeting to acquire the property. This last section is excerpted from Section B of the vote for the convenience of Town Meeting members below.

> "and the Town Counsel is requested and directed to draft home rule legislation for consideration at a future Town Meeting that would enable and authorize the Town (1) to utilize revenues generated from the Site after the amortization of indebtedness voted under this or subsequent articles which may be needed for renovation or other development costs so as to reduce the tax rate

> in an amount sufficient to offset and reduce property taxes so as to reimburse taxpayers for taxes levied to support the project and (2) to take all other actions necessary to finance and carry out the project; and for these purposes the Town Treasurer with the approval of the Board of Selectmen is authorized to borrow a sum not to exceed 14 Million Dollars under and pursuant to Chapter 44."

This article was voted by Town meeting 144 in the affirmative, 18 in the negative. Note that the same paragraph that authorizes the bonds to acquire the property leaves no doubt that Town Meeting expected special legislation to be filed to reimburse taxpayers for any expense they incurred. The Symmes Advisory Committee further addressed this subject on its April 2003 Report to Town Meeting. This report was approved by votes of the Finance Committee, the Redevelopment Board and the Board of Selectmen. The SAC Report was overwhelmingly endorsed by that Town Meeting, with only one vote in the negative.

The concept, then, of special legislation to contain the financial flows of the project is one that has been thoroughly aired in the past with every Board or Committee with relevant jurisdiction having supported it, including the Board of Selectmen, and it has been supported by an overwhelming majority of Town Meeting. In presenting this Article 3 *[note: now Article 4]* to the Town Meeting, the Board of Selectmen and the Symmes Advisory Committee have worked to carefully execute what has been a clear expectation of both Town Meeting and the taxpayers of Arlington.

The authorization granted by the voters in approving the debt exclusion has enabled the project to be financially self-contained, and in fact the Symmes redevelopment project has never added to the Town's tax rate. The proposed legislation is intended to have the effect of (1) extending this self-sufficiency through the retirement of the debt; (2) avoiding that debt ever being added to the tax rate; and (3) investing the Board of Selectmen and Treasurer with the latitude and responsibility to ensure that Town budgets are never less than revenue neutral with respect to the Project.

In developing the specifics of this legislation, members of both the Board of Selectmen and the Symmes Advisory Committee expressed initial concern as to how the Symmes project would appropriately pay for the incremental cost of Town services consumed by the project and its residents. Estimates of such costs are difficult to assess, and may not affect the Town for several years into the project. Nonetheless, the Symmes Advisory Committee unanimously supports legislation to allow this concern to be addressed, and the Board of Selectmen is expected to add its support when it reports. *[Note: Unanimously supported.]*

The proposed legislation provides that revenues flowing from the project are sequestered within an Account established for this purpose. Revenues will include all proceeds from the sale of the property, and all real estate taxes. It will exclude building permit fees, which may be substantial, and which will flow directly to the General Fund. Within the Account, all revenues must be used first to service Current Debt and other direct Project expenses such as closing costs.

What constitutes Current Debt is a function of the scheduling of the bonding within the project. MGL Chapter 44 Section 16 provides that a Town can issue bonds only with the approval of the Board of Selectmen and the Treasurer. Given this power, the Board of Selectmen in conjunction with the Treasurer is in a position to influence the planning of such bonds and the rate at which they are amortized. If they are amortized quickly, there may be in

the short term less Symmes tax revenue flowing to the General Fund, but immediately when they are retired, there will be greater funds available to the Town because the Town will not be paying as much interest on the debt. On the other hand, a longer amortization period could mean lower payments in the short term and more immediate benefit from Symmes tax revenues to the General Fund.

By appropriately managing the debt schedule of the project, the Town can match debt service costs to the anticipated revenues of the Project so as to allow a sufficient margin of revenue to flow out to the General Fund, covering the municipal service costs increases represented by occupancy of the Project and providing some net benefit to Town budgets, while expediting final debt retirement, the point at which the Town can enjoy full benefit of revenues from the project.

The attached scenarios help to illustrate how the bonding schedule and revenue streams can be coordinated to achieve the Town's goals:

Scenario 1 assumes a closing in 2005 *[note: now FY2006]* with a Medical Office Building commitment and no unresolved environmental issues (full recovery of escrow). No profit sharing is assumed. In structuring the debt schedule, we assume that no consideration is given to covering municipal service costs or otherwise benefiting Town budgets. In this scenario, the debt is rapidly reduced and significant net benefits would be available to flow to the Town within a few years. For the first several years, however, Town budgets receive no compensation for the additional costs of municipal services resulting from growing occupancy of the Project.

The second Scenario assumes the same development results, but structures the debt to address the short-term municipal service costs. This requires some additional borrowing in the early years, which enables the Project to provide cash flow to the General Fund offsetting the costs of services, and can provide modest additional benefit to Town budgets during those early years. As a result it takes several years longer for the debt to be retired in full, and for the Project to deliver more substantial benefit to the Town.

Scenario 3 considers the possibility of a worst-case development outcome, in which the Medical Office Building is deferred, and we incur significant environmental remediation costs with no recovery from the former owners. Again in this case, the early-year municipal costs are supported by debt structuring that extends further into the future, with full debt retirement occurring about 10 years out.

In all cases, no impact of the debt exclusion is ever added to the tax rate of the Town; current operating budgets are supported during early years; additional support for Town budgets is introduced when possible; and by employing the most rapid debt reduction possible consistent with those objectives, maximum annual benefit to the Town is achieved at the earliest possible time.

The management of this debt structuring is a policy matter appropriately in the hands of the Selectmen and the Treasurer, who have both the authority and the expertise required. The adoption of the proposed legislation will provide them with the vehicle necessary to carry out the policy efficiently and in a fully transparent and accountable manner.

The SAC has unanimously voted to support this article and strongly urges its adoption by Town meeting.

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Symmes Redevelopment
Combined Town/ARB Cash Flow
Projected Cash Flow starting as of the closing date

SCENARIO #1: Purchase in FY2006 with 26,000 sf MOB, no Profit Sharing, full return of escrow.
Accelerated retirement of all debt without consideration of municipal operating costs.

Fiscal Year Basis (July1-Jun30)	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	9 Yr Total
BEGINNING PROJECT BALANCE	$ 938,849	$ 211,897	$ 61,089	$ 75,386	$ 17,555	$ 57,579	$ 603,391	$ 2,064,848	$ 3,562,842	
		|<-- PURCHASE-------------CONSTRUCTION-->								
USES										
Debt Costs	$ (594,900)	$ (438,549)	$ (123,200)	$ (67,200)	$ (35,200)	$ -	$ -	$ -	$ -	$ (1,259,049)
Legal and other Costs	$ (412,052)	$ (171,688)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (583,741)
Escrow Account	$ -	$ (1,000,000)	$ -		$ -	$ -	$ -	$ -	$ -	$ (1,000,000)
BAN Repayment	$ -	$ (8,000,000)	$ -	$ (1,400,000)	$ (800,000)	$ (880,000)	$ -	$ -	$ -	$ (11,080,000)
Total Costs	$ (1,006,953)	$ (9,610,238)	$ (123,200)	$ (1,467,200)	$ (835,200)	$ (880,000)	$ -	$ -	$ -	$ (13,922,790)
SOURCES										
Property Taxes	$ 20,000	$ 89,429	$ 137,497	$ 409,369	$ 875,224	$ 1,425,812	$ 1,461,457	$ 1,497,994	$ 1,535,444	$ 7,452,226
Payment by Developer	$ -	$ 9,600,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,600,000
Refund from Escrow	$ -		$ -	$ 1,000,000	$ -	$ -	$ -	$ -	$ -	$ 1,000,000
Proceeds from Borrowing	$ 260,000	$ (230,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 30,000
Total Revenues	$ 280,000	$ 9,459,429	$ 137,497	$ 1,409,369	$ 875,224	$ 1,425,812	$ 1,461,457	$ 1,497,994	$ 1,535,444	$ 18,082,226
NET CASH FLOW	$ (726,953)	$ (150,808)	$ 14,297	$ (57,831)	$ 40,024	$ 545,812	$ 1,461,457	$ 1,497,994	$ 1,535,444	$ 4,159,436
ENDING PROJECT BALANCE	$ 211,897	$ 61,089	$ 75,386	$ 17,555	$ 57,579	$ 603,391	$ 2,064,848	$ 3,562,842	$ 5,098,286	**$ 5,098,286**

GENERAL FUND	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	9 Yr Total
Est. Municipal Service Costs	$ -	$ -	$ -	$ (200,867)	$ (441,296)	$ (700,610)	$ (718,125)	$ (736,078)	$ (754,480)	**$ (3,551,456)**
Transfer to General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**

SYMMES OUTSTANDING DEBT

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	$ 11,050,000	$ 11,310,000	$ 3,080,000	$ 3,080,000	$ 1,680,000	$ 880,000	$ -	$ -	$ -
Payments	$ -	$ (8,000,000)	$ -	$ (1,400,000)	$ (800,000)	$ (880,000)	$ -	$ -	$ -
New BAN	$ 260,000	$ (230,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Bond	$ -								
Ending Balance	$ 11,310,000	$ 3,080,000	$ 3,080,000	$ 1,680,000	$ 880,000	$ -	$ -	$ -	$ -

KEY ASSUMPTIONS

Closing/Transfer date: 10/31/06 (Fiscal Year 2006)
Construction begins in FY2006 w/ occupancy beginning late FY2007
$9.6 million purchase price reflects minimum MOB (26,000 SF)
Full $1,000,000 escrow, returned in 2 years

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Symmes Redevelopment
Combined Town/ARB Cash Flow
Projected Cash Flow (starting as of the closing date)

SCENARIO #2	**Purchase in FY2006 with 26,000 sf MOB, no Profit Sharing, full return of escrow.**
NEW	**Additional Bond financing to keep General fund "whole"**

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	9 Yr Total
BEGINNING PROJECT BALANCE	$ 938,849	$ 211,897	$ 61,089	$ 75,386	$ 717,555	$ 240,079	$ 18,391	$ 64,848	$ -	
		|<-- PURCHASE	-------------CONSTRUCTION	--	-------->					
USES										
Debt Costs	$ (594,900)	$ (438,549)	$ (123,200)	$ (67,200)	$ (102,700)	$ (67,500)	$ (15,000)	$ -	$ -	$ (1,409,049)
Legal and other Costs	$ (412,052)	$ (171,688)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (583,741)
Escrow Account	$ -	$ (1,000,000)	$ -		$ -	$ -	$ -	$ -	$ -	$ (1,000,000)
BAN Repayment	$ -	$ (8,000,000)	$ -	$ (1,400,000)	$ (800,000)	$ (880,000)	$ -	$ -	$ -	$ (11,080,000)
Bond Repayment	$ -	$ -	$ -	$ -	$ -	$ -	$ (700,000)	$ (200,000)	$ -	$ (900,000)
Total Costs	$ (1,006,953)	$ (9,610,238)	$ (123,200)	$ (1,467,200)	$ (902,700)	$ (947,500)	$ (715,000)	$ (200,000)	$ -	$ (14,072,790)
SOURCES										
Property Taxes	$ 20,000	$ 89,429	$ 137,497	$ 409,369	$ 875,224	$ 1,425,812	$ 1,461,457	$ 1,497,994	$ 1,535,444	$ 7,452,226
Payment by Developer	$ -	$ 9,600,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,600,000
Refund from Escrow	$ -		$ -	$ 1,000,000	$ -	$ -	$ -	$ -	$ -	$ 1,000,000
Proceeds from Borrowing (BAN)	$ 260,000	$ (230,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 30,000
Proceeds from Borrowing (Bond)	$ -	$ -	$ -	$ 900,000	$ -	$ -	$ -	$ -	$ -	$ 900,000
Total Revenues	$ 280,000	$ 9,459,429	$ 137,497	$ 2,309,369	$ 875,224	$ 1,425,812	$ 1,461,457	$ 1,497,994	$ 1,535,444	$ 18,982,226
NET CASH FLOW	$ (726,953)	$ (150,808)	$ 14,297	$ 842,169	$ (27,476)	$ 478,312	$ 746,457	$ 1,297,994	$ 1,535,444	$ 4,909,436
Outlow to General Fund	$ -	$ -	$ -	$ (200,000)	$ (450,000)	$ (700,000)	$ (700,000)	$ (1,362,842)	$ (1,535,444)	$ (4,948,286)
ENDING PROJECT BALANCE	$ 211,897	$ 61,089	$ 75,386	$ 717,555	$ 240,079	$ 18,391	$ 64,848	$ -	$ -	**$ -**

<------- all revenue to General Fund

GENERAL FUND	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	9 Yr Total
Est. Municipal Service Costs	$ -	$ -	$ -	$ (200,867)	$ (441,296)	$ (700,610)	$ (718,125)	$ (736,078)	$ (754,480)	**$ (3,551,456)**
Transfer to General Fund	$ -	$ -	$ -	$ 200,000	$ 450,000	$ 700,000	$ 700,000	$ 1,362,842	$ 1,535,444	**$ 4,948,286**

SYMMES OUTSTANDING DEBT

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	$ 11,050,000	$ 11,310,000	$ 3,080,000	$ 3,080,000	$ 2,580,000	$ 1,780,000	$ 900,000	$ 200,000	$ -
Payments	$ -	$ (8,000,000)	$ -	$ (1,400,000)	$ (800,000)	$ (880,000)	$ -	$ -	$ -
New BAN	$ 260,000	$ (230,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Bond	$ -	$ -	$ -	$ 900,000	$ -	$ -	$ -	$ -	$ -
Bond Payoff	$ -	$ -	$ -	$ -	$ -	$ -	$ (700,000)	$ (200,000)	$ -
Ending Balance	$ 11,310,000	$ 3,080,000	$ 3,080,000	$ 2,580,000	$ 1,780,000	$ 900,000	$ 200,000	$ -	$ -

KEY ASSUMPTIONS

Closing/Transfer date: 10/31/06 (Fiscal Year 2006)
Construction begins in FY2006 w/ occupancy beginning late FY2007
$9.6 million purchase price reflects minimum MOB (25,000 SF)
Full $1,000,000 escrow

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Symmes Redevelopment
Combined Town/ARB Cash Flow
Projected Cash Flow (starting as of the closing date)

SCENARIO #3	**Purchase in FY2006; No MOB; No Profit Sharing; Partial return of escrow (75%).**
NEW	**Additional Bond financing to keep General fund "whole"**

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	9 Yr Total
BEGINNING PROJECT BALANCE	$ 938,849	$ 211,897	$ 92,289	$ 42,786	$ 2,362,447	$ 1,811,746	$ 930,847	$ 12,738	$ 83,239	
		|<-- PURCHASE-------------CONSTRUCTION-->								
USES										
Debt Costs	$ (594,900)	$ (502,349)	$ (187,000)	$ (151,000)	$ (314,500)	$ (242,500)	$ (187,500)	$ (157,500)	$ (112,500)	$ (2,449,749)
Legal and other Costs	$ (412,052)	$ (171,688)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (583,741)
Escrow Account	$ -	$ (1,000,000)	$ -		$ -	$ -	$ -	$ -	$ -	$ (1,000,000)
BAN Repayment	$ -	$ (6,400,000)	$ -	$ (900,000)	$ (600,000)	$ (1,800,000)	$ (1,375,000)	$ -	$ -	$ (11,075,000)
Bond Repayment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (400,000)	$ (600,000)	$ (1,000,000)
Total Costs	$ (1,006,953)	$ (8,074,038)	$ (187,000)	$ (1,051,000)	$ (914,500)	$ (2,042,500)	$ (1,562,500)	$ (557,500)	$ (712,500)	$ (15,108,490)
SOURCES										
Property Taxes	$ 20,000	$ 89,429	$ 137,497	$ 300,661	$ 763,799	$ 1,311,601	$ 1,344,391	$ 1,378,001	$ 1,412,451	$ 6,757,830
Payment by Developer	$ -	$ 8,100,000	$ -	$ -	$ -	$ 500,000	$ -	$ -	$ -	$ 8,600,000
Refund from Escrow	$ -		$ -	$ 750,000	$ -	$ -	$ -	$ -	$ -	$ 750,000
Proceeds from Borrowing (BAN)	$ 260,000	$ (235,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,000
Proceeds from Borrowing (Bond)	$ -	$ -	$ -	$ 2,500,000	$ -	$ -	$ -	$ -	$ -	$ 2,500,000
Total Revenues	$ 280,000	$ 7,954,429	$ 137,497	$ 3,550,661	$ 763,799	$ 1,811,601	$ 1,344,391	$ 1,378,001	$ 1,412,451	$ 18,632,830
NET CASH FLOW	$ (726,953)	$ (119,608)	$ (49,503)	$ 2,499,661	$ (150,701)	$ (230,899)	$ (218,109)	$ 820,501	$ 699,951	$ 3,524,340
Outlow to General Fund	$ -	$ -	$ -	$ (180,000)	$ (400,000)	$ (650,000)	$ (700,000)	$ (750,000)	$ (725,000)	$ (3,405,000)
ENDING PROJECT BALANCE	$ 211,897	$ 92,289	$ 42,786	$ 2,362,447	$ 1,811,746	$ 930,847	$ 12,738	$ 83,239	$ 58,189	**$ 58,189**

GENERAL FUND	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	9 Yr Total
Est. Municipal Service Costs	$ -	$ -	$ -	$ (177,678)	$ (417,528)	$ (676,247)	$ (693,153)	$ (710,482)	$ (728,244)	**$ (3,403,332)**
Transfer to General Fund	$ -	$ -	$ -	$ 180,000	$ 400,000	$ 650,000	$ 700,000	$ 750,000	$ 725,000	**$ 3,405,000**

SYMMES OUTSTANDING DEBT

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	$ 11,050,000	$ 11,310,000	$ 4,675,000	$ 4,675,000	$ 6,275,000	$ 5,675,000	$ 3,875,000	$ 2,500,000	$ 2,100,000
Payments	$ -	$ (6,400,000)	$ -	$ (900,000)	$ (600,000)	$ (1,800,000)	$ (1,375,000)	$ -	$ -
New BAN	$ 260,000	$ (235,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Bond	$ -	$ -	$ -	$ 2,500,000	$ -	$ -	$ -	$ -	$ -
Bond Payoff	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (400,000)	$ (600,000)
Ending Balance	$ 11,310,000	$ 4,675,000	$ 4,675,000	$ 6,275,000	$ 5,675,000	$ 3,875,000	$ 2,500,000	$ 2,100,000	**$ 1,500,000**

KEY ASSUMPTIONS

Closing/Transfer date: 10/31/06 (Fiscal Year 2006)
Construction begins in FY2006 w/ occupancy beginning late FY2007
$8.1 million purchase price reflects no MOB, $500,000 penalty paid in FY2010
Full $1,000,000 escrow, $750,000 returned
New Bond issued in FY2008